



April 26, 2012

Sherri Holman, Finance Director  
City of Fountain Valley  
10200 Slater Avenue  
Fountain Valley, CA 92708

Dear Ms. Holman:

Pursuant to Health and Safety Code (HSC) section 34177 (l) (2) (C), the City of Fountain Valley (City) Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS) to the California Department of Finance (Finance) on April 12, 2012 for the period January through June 2012 and July through December 2012. Finance staff contacted you for clarification of items listed in the ROPS.

HSC section 34171 (d) lists enforceable obligation (EO) characteristics. Based on a sample of line items reviewed and application of the law, the following do not qualify as EOs:

January through June 2012 ROPS

- Page 1, items 12 through 14 and 19 - Agreements between the City and the Agency totaling \$55.2 million. HSC section 34171 (d) (2) states that agreements, contracts, or arrangements between the city, county, or city and county that created the redevelopment agency (RDA) and the former RDA are not enforceable unless the loan agreements were entered into within the first two years of the date of the creation of the RDA.
- Page 1, items 37 through 41 – Various projects totaling \$16.6 million. No contracts have been executed for these line items. HSC section 34163 (b) prohibits a redevelopment agency from entering into a contract with any entity after June 27, 2011.

July through December 2012 ROPS

- Page 1, items 9 through 12 - Agreements between the City and the Agency totaling \$48 million. HSC section 34171 (d) (2) states that agreements, contracts, or arrangements between the city, county, or city and county that created the RDA and the former RDA are not enforceable unless the loan agreements were entered into within the first two years of the date of the creation of the RDA.
- Administrative costs claimed exceed allowance by \$25,358. HSC section 34171 (b) limits the 2012-13 administrative cost allowance to three percent of the property tax allocated to the successor agency or \$250,000, whichever is greater. The agency's three-percent tax allocation is \$80,089. Therefore, the administrative cost allowance is \$250,000. Items 13 through 16 are considered administrative expenses.

As authorized by HSC section 34179 (h), Finance is returning your ROPS for your reconsideration. This action will cause the specific ROPS items noted above to be ineffective until Finance approval. Furthermore, items listed on future ROPS will be subject to review and may be denied as EOs.

If you believe we have reached this conclusion in error, please provide further evidence that the items questioned above meet the definition of an EO.

Please direct inquiries to Evelyn Suess, Supervisor or Michael Barr, Lead Analyst at (916) 322-2985.

Sincerely,

A handwritten signature in cursive script that reads "Mark Hill".

MARK HILL  
Program Budget Manager

cc: Mr. Frank Davies, Administrative Manager, Orange County